

# INFORMATION REPORT

DATE DISTR. **11 JAN 52**

SUBJECT Tientsin Investment Corporation

NO. OF PAGES 2

THIS IS UNEVALUATED INFORMATION

1. The total capital of the Tientsin Investment Corporation was fixed at JMP 500,000,000 which was divided into half a million shares of JMP 100,000 each. The Corporation was to open for business as soon as a quarter of a million shares had been taken up. The sale of shares began in the middle of March 1950. JMP 300,000,000 worth of shares had been sold by mid-May, and by early June the total amount was reached. There were 5,324 shareholders, consisting mainly of big, medium, and small commercial and industrial enterprises. Only a small number were private individuals, including some overseas merchants. Government-held shares came only to 20.43 percent.
2. The Corporation's inaugural meeting was held on 10 June 1950. It was attended by 2,755 shareholders, representing 199,975 shares. The shareholders form the highest body of control in the Corporation. Each share entitles the holder to one vote at a shareholders' meeting. The board of directors consists of 31 members with seven in reserve. The supervisory committee of the board has seven members, with two in reserve. One-fifth of the board and of its supervisory committee are appointed by the Communist authorities. They participate at meetings in order to control policy and to direct operations.
3. The business transacted at a shareholders' meeting is of two kinds:
  - a. Investment in productive enterprises. The Corporation acts as agent for planning and handling investments in financial enterprises.
  - b. Holding debentures issued by factories, mining concerns, transport companies, public utilities, etc. The Corporation acts as agent for the sale of shares and debentures, and as trustee for security foundation funds set aside for redemption of debentures. It further acts as agent for payment of interest and debenture redemption; issues investment certificates; makes investments as commissioned by clients; and acts as agent for the purchase and sale of negotiable share certificates.
4. At the end of each fiscal year (30 June) the surplus, after deducting all taxes and 10 percent for the reserve fund, will be dealt with according to

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-2-

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the following schedule:

- a. Ten percent for buying special public (government) securities.
- b. Sixty percent for shareholders as dividends or bonuses.
- c. Fifteen percent for employees' benefits and rewards.
- d. Ten percent for bonuses to the general manager, assistant general manager, manager and assistant manager.
- e. Five percent for gifts to public welfare works.

If the surplus is not sufficient to pay any dividend on shares, or if there is no surplus at all, interest due on shares may be left to the next year. At the end of the year and after the losses of the previous year have been made good, shareholders will be compensated "according to circumstances."

5. The Tientsin Investment Corporation is typical of Chinese Communist financial organizations and is known to be paralleled in several other cities. Among its functions it served to keep Victory Bonds from being redeemed by individuals in March 1951.
6. The first issue of convertible Victory Bonds was placed on the market in March 1950, for the purpose of attracting uninvested money and combating inflation. Ostensibly, the bonds were sold both to individuals and to the People's Bank of the Chinese Communist Government. The Bank, however, invested only a limited amount.
7. Redemption and payment of interest on these bonds fell due in March 1951, but owing to the near-bankruptcy of the Government as a result of the Korean War there was no money available for this purpose.
8. Failure to fulfill the terms of the loan would mean loss of confidence; therefore threat and persuasion were used on holders of convertible Victory Bonds to coerce them into giving their bonds to the State. Those who refused to do this were asked to invest them in the Tientsin Investment Corporation as shares, thus leaving the bonds under the control of the People's Bank.

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